

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7265

BILL NUMBER: SB 565

NOTE PREPARED: Jan 18, 2007

BILL AMENDED:

SUBJECT: Coverage for Smoking Cessation Drugs.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires a state employee health benefit plan, a policy of accident and sickness insurance, and a health maintenance organization (HMO) contract that provides coverage for prescription drugs to provide coverage for smoking cessation drugs.

Effective Date: July 1, 2007.

Explanation of State Expenditures: As of January 2007, the state enrolled approximately 31,155 state employees in benefit plans from 3 companies: M-Plan, Anthem, and Wellborn. Providing coverage for prescription drugs for smoking cessation would result in estimated additional premiums for the three plans of \$155,436.

This increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would absorb added costs or pass the costs on to employees.

Background Information-

Anthem Estimate: Anthem reports that to add the coverage would result in a \$0.24 increase per member per month. Currently, 20,092 employees are enrolled in an Anthem program. Applying the 2.28 members per employee would result in an Anthem total membership of 45,810. Applying the \$0.24 increase per member per month would result in an increase of \$10,994 per month with an annual increase of \$131,928.

M-Plan: M-Plan reports that to add the coverage would result in a \$0.20 increase per employee per month. Currently, 9,797 employees are enrolled in M-Plan. Applying the \$0.20 increase per employee would result in an increase of \$1,959 per month with annual increases of \$23,508.

M-Plan currently covers Zyban and Wellbutrin. The most economical way to purchase the OTC products would be to require people to enroll in cessation classes and then as part of the class distribute the OTC items. M-Plan's vendors that handle cessation classes, price the classes dependent upon what is to be included with the class. They will include the OTC supports and distribute them at the classes.

Welborn: The proposal would result in no impact to Welborn premiums.

The total impact on the three plans would be \$155,436.

Explanation of State Revenues:

Explanation of Local Expenditures: Local government groups enrolled in the Local Unit Government Employees (LUG) health plan may experience increased costs. LUG participants have the same benefits as state employees, but are part of a separate risk pool. Currently, 40 local government groups are enrolled in the plan, providing coverage for approximately 1,000 employees.

In addition, school corporations and local governments purchasing health benefit coverage on their own could incur increased premiums. The specific impact is indeterminable, but would depend on current health care coverage. It is unknown if local units would absorb this cost or pass the cost on to employees, as cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local governments and school corporations.

Information Sources: Christy Tittle, Benefits Director, Department of Personnel, 317-232-3241.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.